



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
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BOARD OF SUPERVISORS

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December 8, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DELEGATE AUTHORITY TO THE DIRECTOR OF HEALTH SERVICES
TO AMEND THE COUNTY'S MEDI-CAL CONTRACT TO CONFORM TO THE
REQUIREMENTS OF MEDI-CAL REDESIGN
(All Districts) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

Delegate authority to the Director of Health Services to negotiate, execute, and submit to the State Director of Health Services for signature, an amendment to the County's Medi-Cal Contract with the State of California, as necessary to implement the requirements of Senate Bill (SB) 1100, the legislation passed this year in conjunction with Medi-Cal Redesign, and the requirements of the associated federal demonstration project/waiver.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The State is fundamentally changing the system under which the County hospitals are paid for inpatient hospital services to Medi-Cal patients under "Medi-Cal Redesign". The change, which is based on a new federal Medicaid waiver, was codified in SB 1100, which added Sections 14166 et seq. to the Welfare & Institution Code. While the County's

Medi-Cal Contract continues to be in effect, many of its provisions are inconsistent with the terms of the new statute, and federal demonstration project/waiver.

In approving this action, your Board is delegating authority to the Director to negotiate and sign one or more amendments to the existing Medi-Cal Contract to align its terms with the requirements of Medi-Cal Redesign.

FISCAL IMPACT/FINANCING:

The contract amendments will be designed to assure that the County hospitals receive the amounts to which they are entitled under Medi-Cal Redesign. Current forecasts estimate that these payments will be greater than the corresponding budgeted payments they will supercede for the current fiscal year.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Earlier this year, the State Department of Health Services reached an agreement with the Centers for Medicare and Medicaid Services on the terms of a demonstration project which fundamentally redesigns the way Medi-Cal pays for inpatient hospital services. Among the more significant of the changes made by Medi-Cal Redesign was the deletion of per diem final payments for public hospitals; instead, designated public hospitals, including all of those owned by the County of Los Angeles, are to be paid a federal match related to the certified expenditures of local funds expended in public hospitals. Payment for related physician services will change as well. Further, under Medi-Cal Redesign, the SB 1255 payment program has been replaced with a new Safety Net Care Pool and increased Disproportionate Share Hospital payments.

The enabling legislation, SB 1100, continues to require participating hospitals to have a Medi-Cal Contract. However, while no changes are being made to the eligibility and scope provisions in the existing agreement, the payment provisions and several of the administrative sections must be revised to be consistent with the new system. The California Medical Assistance Commission (CMAC) is still working on appropriate language for the amendment; however, the amendment must be executed by December 31, 2005 to comply with the terms of the federal waiver. As your Board is not meeting in late December, we are requesting delegated authority to negotiate and execute such amendment.

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County Counsel will review and approve as to form an amendment to the County's Medi-Cal Contract before they are executed by the Director.

Negotiations related to the Medi-Cal Contract as well as the final terms are considered confidential pursuant to Government Code Section 6254(q). Accordingly, an amendment to the County's Medi-Cal Contract will be on file with the Department of Health Services' (DHS') Revenue Management Division, and will be maintained in a confidential manner in compliance with Government Code Section 6254(q) which provides that a) non-rate related contract terms are not subject to public disclosure until one year from the date of execution, and b) the portion of the contract containing rates is not subject to public disclosure until three years after the contract terms can be disclosed. Consistent with the confidentiality provided for by Government Code Section 6254(q), the Director shall inform the Board of the exact terms of any executed contract amendment by confidential memorandum.

CONTRACTING PROCESS:

CMAC is the sole State agency with authority for negotiating the Medi-Cal Contract.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Medi-Cal contract funding helps maintain current DHS hospital operations.

When approved, this Department requires three signed copies of the Board's actions.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

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c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller